

Message Text

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ACTION ABF-01

INFO OCT-01 EUR-12 ISO-00 FS-01 CPR-01 L-02 CIAE-00 INR-07

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FM AMEMBASSY BONN

INFO RUFHJA/USMISSION USBERLIN 5901

SECSTATE WASHDC 7761

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E.O. 11652: N/A

TAGS: ABUD, GW

SUBJECT: RELIEF FROM VALUE ADDED TAX

REF: BERLIN 5153

1. EMBASSY BONN INQUIRED OF THE FINANCE MINISTRY WHAT POSSIBILITIES EXISTED FOR EMBASSY BERLIN TO BE EXEMPTED FROM THE VALUE ADDED TAX ON PURCHASES MADE IN WEST BERLIN. THE OFFICE DIRECTOR CONCERNED (MINRAT KLEZATH) SUGGESTED THAT THE IMMEDIATE SOLUTION WAS TO HAVE OUR MISSION IN WEST BERLIN BUY WHATEVER IS REQUIRED BY EMBASSY BERLIN IN THE NAME OF THE MISSION AND SIMPLY PASS IT ON TO THE EMBASSY IN EAST BERLIN. WHEN THE EMBOFF QUESTIONED AS TO THE APPLICABILITY OF THE STATEMENT REQUIRED ON MISSION PURCHASES TO THE EFFECT THAT IT WAS FOR EXCLUSIVE USE BY THE MISSION, HE REPLIED THAT THE ENGLISH AND FRENCH WERE DOING IT FOR THEIR EAST BERLIN COLLEAGUES AND THAT THIS PRESENTED NO PROBLEMS FOR THE FEDERAL GOVERNMENT.

2. THE FINANCE MINISTRY OFFICIAL STATED THAT THEY HAD BEEN RECEIVING SEVERAL QUERIES FROM OTHER GOVERNMENTS ON THE SAME ISSUE. WHERE THE PROBLEM WAS MOST FELT, HE SAID, WAS WITH THOSE COUNTRIES WHICH HAD NO WEST BERLIN MISSION AND COULD THEREFORE NOT TAKE ADVANTAGE OF THE

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PROCEDURE SUGGESTED ABOVE. AS A RESULT, THE FINANCE

MINISTRY WAS PLANNING TO TAKE SOME FORMAL ACTION TO PROVIDE RELIEF BUT THIS WAS STILL A LONG WAY FROM TAKING THE FORM OF AN ORDNANCE OR DRAFT LAW SINCE MANY GOVERNMENT AGENCIES WERE INVOLVED AND THE RESULTANT COORDINATION BEFORE ANY CONCRETE CHANGES WERE MADE COULD BE QUITE TIME CONSUMING. IN THE MEANTIME THERE WAS NO CLEAR LEGAL EXEMPTION ROUTE (OTHER THAN THE OBLIQUE ONE SUGGESTED.)

3. THERE IS AN ORDINANCE PENDING BUNDESRAT APPROVAL THAT WOULD PROVIDE VALUE ADDED TAX RELIEF TO THE EAST GERMAN MISSION IN BONN WHICH SEEMS LIKELY TO RECEIVE EARLY ACTION. THIS, HOWEVER, IS IRRELEVANT TO THE CASE AT HAND OTHER THAN THE FACT THAT IT MIGHT HAVE GIVEN RISE TO THE RUMOR REPORTED REFTEL THAT MEHRWERTSTEUER RELIEF WAS AT HAND.

4. THE FINANCE MINISTRY OFFICIAL WAS ASKED WHETHER SOME BENEFIT MIGHT BE OBTAINED BY TREATING EMBASSY BERLIN PURCHASES IN WEST BERLIN AS INTERZONAL TRADE. HE RESPONDED THAT THIS SORT OF TRANSACTION WOULD BE SUBJECT TO A 6 PERCENT LEVY WHICH WOULD BE NON-REFUNDABLE.

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